

GUIDELINES FOR THE IDENTIFICATION AND DEVELOPMENT OF MATERIAL WEAKNESSES

Identifying, correcting and reporting material weaknesses are a responsibility of management at all levels. The initial determination that a weakness in management controls is or is not material is based on the operating manager's judgment about the relative significance of the problem (AR 11-2, para 2-6a). A rule of thumb is if the weakness requires the attention of the next higher level of management for information or resolution, it should be determined material and reported.

Sources to consider for possible management control weaknesses include audit or inspection findings, management control evaluations, other functional checklists or reviews or management's general knowledge of the functional environment. The final determination as to whether a finding or report warrants additional reporting as a material weakness is solely a matter of management judgment (AR 11-2, para 2-6c(2)).

Please note: The determining criterion on whether to report a weakness is whether it is material, not whether it has been corrected. A material weakness must be reported to the next higher level of management whether or not it has been corrected.

A format for material weaknesses and further explanation of items follows.